More Financial Powers to States

1012. SHRI A. VIJAYA RAGHAVAN: Will the Minister of FINANCE be pleased to state:

(a) whether Government are aware of the financial crisis being faced by some of the States;

(b) if so, the details thereof;

(c) the reasons for such economic problems in the States;

(d) whether Government would give more financial powers to the States; and

(e) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL): (a) to (c) Some States, which were unable to match the receipts and expenditure in their budget, experienced periodic Ways and Means related financial problems. To enable such States to deal with the situation, there is an agreement between the States and RBI to provide Ways and Means support.

Rising non-plan revenue expenditure, heavy debt servicing burden, rising staff salaries expenses, non-buoyant tax revenues, unsustainable subsidies and continuing losses of many of the States' public sector undertakings, are among the factors responsible for financial difficulties of the States.

(d) and (e) The formulation regarding devolution/distribution of finance/assistance between the Centre and States, comes under the aegis of both the Finance Commission and Planning Commission. Issues relating to Centre-State financial relations are discussed periodically in the fora like Inter-State Council and National Development Council where both Centre and the States are represented.